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SUBJECT: CONTINUED HIGH WORLD PRICES LEAD TO RECORD REVENUES FOR  
JORDANIAN POTASH AND PHOSPHATE COMPANIES

REFS: A) AMMAN 2654  
B) AMMAN 1612

¶1. (U) Summary: Growing world demand and rising prices resulted in rapid growth in Jordanian exports of fertilizer (up 126%), potash (52%) and phosphate (75%) in the first seven months of 2008 (ref A). Correspondingly, revenues and profits at Arab Potash Company (APC) and Jordan Phosphate Mines Company (JPMC) also grew dramatically, although output levels were flat. Despite record profits, the two companies continue to seek sustainable profitability, efficiencies, and opportunities. APC, in an effort to rid itself of inefficient operations, announced the closure of its industrial salt facility and has offered to sell its fertilizer subsidiary. JPMC, in coordination with the Jordan Atomic Energy Commission (JAEC), has contracted with researchers to conduct a feasibility study and design a facility to extract uranium from its phosphoric acid, which could be worth \$1.5 billion annually. End Summary.

#### Rising Exports of Fertilizer, Potash, and Phosphates

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¶2. (U) Jordan's Department of Statistics reported in September that fertilizer and its ingredients potash and phosphate were the three fastest growing categories of exports and together made up 29% of national exports during the first seven months of 2008. Jordan's fertilizer exports rose 126% from \$211 million in the first seven months of 2007 to \$476 million in the same period in 2008. Exports of crude potash rose 52% from \$174 million in 2007 to \$266 million in 2008. Exports of crude phosphate rose 75% from \$120 million to \$211 million in the same period. India is a major market for Jordan exports of fertilizer and phosphate.

¶3. (SBU) JPMC CEO Walid Kurdi told EmbOffs that phosphate is available worldwide, unlike potash which is found in only a handful of locations. He added that the high world price of phosphate is encouraging other countries including Morocco, Syria, and Mexico, to increase investments in their phosphate mining industries. He predicted phosphate prices would eventually fall as world production increased. While high prices have been good for JPMC, Kurdi reported protests in Jordan by agribusiness, a small (less than three percent of GDP), but vocal sector.

## Profits Grow and APC Plans for Subsidiary Sales

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¶4. (U) APC, licensed to extract minerals from the Jordanian side of the Dead Sea, saw its gross profits for the first half of 2008 grow 95% to \$179 million, compared to \$92 million during the same period in 2007. Potash sales volumes of 934,000 tons, however, were virtually unchanged. APC, according to a September report by investment bank Jordinvest, is a "price taker," benefiting from global potash prices largely determined by the commodity's two major producers: Canada's Canpotex and Belarusian Potash Company (BPC). Along with revenue growth, APC's costs of production have grown with increased energy, freight and mining royalty rights costs, the latter almost doubling in March from \$11 to \$21 per exported ton, as part of an agreement negotiated with the GOJ.

¶5. (SBU) APC has struggled with the management and profitability of its subsidiaries which were designed to develop downstream products (ref B). APC has now formally put up for sale its subsidiary KEMAPCO which produces potassium nitrate fertilizer, di-calcium phosphate animal feed, and nitric acid. APC is seeking an investor to purchase between 40 and 100% of the subsidiary. APC also announced that it had closed its industrial salt unit, laying off 140 employees and moving 60 employees into its potash operations. Jordinvest reported that the closure followed negotiations with the trade union and the Ministry of Labor to pay \$4.2 million in severance to the employees.

## JPMC Reports Record Profits and Uranium Extraction Plans

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¶7. (U) JPMC is the only company licensed to extract phosphate rock in Jordan and is the largest mining and industrial employer in the country. Jordan has an estimated 1.47 billion tons of rock reserve, roughly 12% of the global total and extracts phosphate from its three mines. JPMC's net profits for the first half of 2008 reached a record \$106 million, 438% higher than during the first half of ¶2007. Sales for the same time period totaled \$431 million. Kurdi told the local press that these results were achieved in spite of increased production costs, including energy and non-phosphate fertilizer raw materials.

¶8. (SBU) In coordination with the Jordan Atomic Energy Commission, JPMC has contracted with researchers to study the feasibility of extracting uranium from phosphoric acid manufactured by JPMC's fertilizers plant. Jordan has an estimated 130,000 tons of low-cost uranium and an additional 59,000 tons in phosphate deposits. The head of the JAEC estimated in the press that uranium extraction could generate up to \$1.5 billion in revenue annually, a figure equal to 9% of Jordan's GDP. Studies to date have indicated that Jordanian phosphate used in manufacturing phosphoric acid contains about 50-100 parts per million (ppm) of uranium that can be extracted for the creation of yellow cake. Salem Al Zaben, Chairman of Al Hasa Cement Company, opined that one reason India imports its phosphate from Jordan is because India is able to extract the uranium and thus buy uranium at phosphate prices.

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